

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Oceana County	County Oceana
Fiscal Year End December 31, 2005	Opinion Date February 18, 2006	Date Audit Report Submitted to State July 1, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail)

1. ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Willis and Jurasek, P.C.		Telephone Number 517-788-8660		
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State MI	Zip 49203
Authorizing CPA Signature F. Roger Mack		Printed Name F. Roger Mack		License Number 1101020342

**Oceana County, Michigan**

Financial Statements  
And Independent Auditors' Report

Year Ended December 31, 2005

**Oceana County, Michigan**  
**Board of Commissioners**

Larry VanSickle  
Chairperson

Jim Brown  
  
Larry Byl  
  
Gerald Malburg

Joseph Merten  
  
Evelyn Kolbe  
  
Charles (Bud) Simon

**Court Judges**

Honorable Terrence R. Thomas  
Circuit Court

Honorable Kevin Drake  
District Court

Honorable Walter A. Urick  
Probate Court

Honorable Anthony A. Monton  
Chief Circuit Court

**County Elected Officials**

Sheila Gowell  
Treasurer

Kenneth Prince  
Sheriff

Calvin C. Ackley  
Drain Commissioner

Rebecca J. Griffin  
Clerk

Terry Shaw  
Prosecuting Attorney

Janice Foster  
Register of Deeds

J. Randolph Hepworth  
Surveyor

**County Population - 2000**

26,873

**County Taxable Valuation - 2005**

\$869,756,639

**Oceana County, Michigan  
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**Oceana County, Michigan  
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## Independent Auditors' Report

Board of Commissioners  
Oceana County  
Hart, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oceana County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County's policy is to prepare its government-wide financial statements on the modified cash basis of accounting and to prepare its fund financial statements on the cash basis of accounting, both of which are a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include financial data for the County's legally separate discretely presented component units. Accounting principles generally accepted in the United States of America require the financial data for those discretely presented component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Oceana County as of December 31, 2005, or the changes in financial position thereof for the year then ended.

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### WILLIS & JURASEK, P.C.

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Board of Commissioners  
Oceana County

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and the business-type activities of Oceana County, Michigan, as of December 31, 2005, and respective changes in financial position - modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1 and the respective financial position - cash basis of each major fund, and the aggregate remaining fund information of Oceana County, Michigan, as of December 31, 2005, and the respective changes in financial position - cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Oceana County, Michigan has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on page 27 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the primary government financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Oceana County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.



Willis & Jurasek, P.C.

February 18, 2006



**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
Oceana County  
Hart, Michigan

We have audited the financial statements of the primary government of Oceana County, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 18, 2006, which was qualified because the financial statements include only the financial activities of the primary government and because the financial activities of component units that form the reporting entity are not included and because the County prepares its government wide financial statements on the modified cash basis of accounting and its fund financial statements on the cash basis of accounting, both of which are a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oceana County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Oceana County in a separate letter dated February 18, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oceana County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, State agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

February 18, 2006

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**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039



**Oceana County, Michigan**  
Statement of Net Assets  
Modified Cash Basis  
Primary Government Only  
December 31, 2005

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-</b>	
	<b>Activities</b>	<b>Type</b>	
		<b>Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 2,838,887	\$ 477,554	\$ 3,316,441
Current taxes receivable	6,942,009	-	6,942,009
Delinquent taxes	-	1,018,532	1,018,532
Receivable from other governmental units to service bond debt	3,755,000	-	3,755,000
Internal balances	200,947	-	200,947
Capital assets less accumulated depreciation of \$5,196,341	<u>13,559,541</u>	-	<u>13,559,541</u>
Total assets	<u>27,296,384</u>	<u>1,496,086</u>	<u>28,792,470</u>
<b>Liabilities:</b>			
Deferred property taxes	6,942,009	-	6,942,009
Long-term liabilities:			
Bonds payable, due within one year	569,000	-	569,000
Other obligations, due within one year	8,760	770,000	778,760
Bonds payable, due in more than one year	8,551,000	-	8,551,000
Other obligations, due in more than one year	<u>28,517</u>	-	<u>28,517</u>
Total liabilities	<u>16,099,286</u>	<u>770,000</u>	<u>16,869,286</u>
<b>Net Assets:</b>			
Investment in capital assets - net of related debt	8,157,264	-	8,157,264
Restricted for debt service	262,185	-	262,185
Restricted for construction	150,305	-	150,305
Unrestricted	<u>2,627,344</u>	<u>726,086</u>	<u>3,353,430</u>
Total net assets	<u>\$ 11,197,098</u>	<u>\$ 726,086</u>	<u>\$ 11,923,184</u>

See Notes to Financial Statements.

**Oceana County, Michigan**  
Statement of Activities  
Modified Cash Basis  
Primary Government Only  
Year Ended December 31, 2005

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions	Business-Type		
					Total	Governmental	Activities
<b>Functions/Programs</b>							
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Legislative	\$ 149,750	\$ -	\$ -	\$ -	-	(149,750)	\$ -
Judicial	1,316,488	429,952	571,028	-	1,000,980	(315,508)	-
General county government	2,267,582	373,351	249,934	-	623,285	(1,644,297)	-
Public safety	6,111,574	2,517,193	567,755	-	3,084,948	(3,026,626)	-
Public works	622,851	88,656	8,155	-	96,811	(526,040)	-
Health and welfare	12,835,523	8,658,730	597,155	-	9,255,885	(3,579,638)	-
Culture and recreation	37,552	1,949	-	-	1,949	(35,603)	-
Other	661,997	-	-	-	-	(661,997)	-
Interest	372,406	-	-	-	-	(372,406)	-
Total governmental activities	24,375,723	12,069,831	1,994,027	-	14,063,858	(10,311,865)	-
<b>Business-Type Activities:</b>							
Tax revolving fund	57,127	407,881	-	-	407,881	-	350,754
Total primary government	\$ 24,432,850	\$ 12,477,712	\$ 1,994,027	\$ -	\$ 14,471,739	\$ (10,311,865)	\$ 350,754
<b>General Revenues:</b>							
Property taxes					\$ 9,519,185	\$ -	\$ 9,519,185
Investment earnings					124,924	-	124,924
Other					613,920	-	613,920
Transfers					350,000	(350,000)	-
Total general revenues and transfers					10,608,029	(350,000)	10,258,029
<b>Changes in Net Assets</b>							
Net Assets - Beginning of Year					296,164	754	296,918
Net Assets - End of Year					10,900,934	725,332	11,626,266
					\$ 11,197,098	\$ 726,086	\$ 11,923,184

See Notes to Financial Statements.

**Oceana County, Michigan**  
**Balance Sheet**  
**Cash Basis**  
**Governmental Funds**  
**December 31, 2005**

	General	Medical Care Facility	Medical Care Facility Capital Project	Ambulance	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>						
<b>Assets:</b>						
Cash and cash equivalents	\$ 617,331	\$ 9,543	\$ -	\$ 128,529	\$ 2,083,484	\$ 2,838,887
Property taxes receivable	3,015,027	2,042,413	-	834,952	1,049,617	6,942,009
Due from other funds	169,747	-	-	-	774,651	944,398
Advances to other funds	31,200	-	-	-	-	31,200
Total assets	<u>\$ 3,833,305</u>	<u>\$ 2,051,956</u>	<u>\$ -</u>	<u>\$ 963,481</u>	<u>\$ 3,907,752</u>	<u>\$ 10,756,494</u>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities:</b>						
Due to other funds	\$ 774,651	\$ -	\$ -	\$ -	\$ -	\$ 774,651
Deferred property taxes	3,015,027	2,042,413	-	834,952	1,049,617	6,942,009
Total liabilities	<u>3,789,678</u>	<u>2,042,413</u>	<u>-</u>	<u>834,952</u>	<u>1,049,617</u>	<u>7,716,660</u>
<b>Fund Balances:</b>						
Unrestricted; undesignated - reported in:						
General fund	43,627	-	-	-	-	43,627
Special revenue funds	-	9,543	-	128,529	2,295,036	2,433,108
Debt service funds	-	-	-	-	262,185	262,185
Capital project funds	-	-	-	-	150,305	150,305
Permanent funds	-	-	-	-	150,609	150,609
Total fund balances	<u>43,627</u>	<u>9,543</u>	<u>-</u>	<u>128,529</u>	<u>2,858,135</u>	<u>3,039,834</u>
Total liabilities and fund balances	<u>\$ 3,833,305</u>	<u>\$ 2,051,956</u>	<u>\$ -</u>	<u>\$ 963,481</u>	<u>\$ 3,907,752</u>	<u>\$ 10,756,494</u>

**Oceana County, Michigan**

Reconciliation of Fund Balances on the Balance Sheet (Cash Basis) of Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets (Modified Cash Basis)  
December 31, 2005

**Total Fund Balances - Governmental Funds** **\$ 3,039,834**

Amounts reported for governmental activities in the Statement

of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is

\$ 18,755,882

Accumulated depreciation is

(5,196,341)

13,559,541

Other long-term assets are not available to pay for current period  
expenditures and therefore are not recorded in the funds.

Add - long-term receivable from municipalities to service future bond principal

3,755,000

Long-term liabilities not due and payable in the current period  
and not reported in the funds:

Bonds payable

(9,120,000)

Notes payable

(37,277)

**Total Net Assets - Governmental Activities**

**\$ 11,197,098**

**Oceana County, Michigan**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Cash Basis  
Governmental Funds  
Year Ended December 31, 2005

	General	Medical Care Facility	Medical Care Facility Capital Project	Ambulance	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 4,408,655	\$ 1,929,528	\$ -	\$ 789,950	\$ 2,391,052	\$ 9,519,185
Licenses and permits	71,282	-	-	-	-	71,282
Intergovernmental	1,396,872	-	-	-	597,155	1,994,027
Charges for services	1,141,155	8,269,499	-	687,672	1,871,608	11,969,934
Fines and forfeitures	8,263	-	-	-	-	8,263
Interest and rents	111,295	13,622	-	-	7	124,924
Contributions from local units	-	-	-	-	471,688	471,688
Other	216,712	-	-	-	240,872	457,584
Total revenues	<u>7,354,234</u>	<u>10,212,649</u>	<u>-</u>	<u>1,477,622</u>	<u>5,572,382</u>	<u>24,616,887</u>
<b>Expenditures:</b>						
Current operations:						
Legislative	149,750	-	-	-	-	149,750
Judicial	1,289,816	-	-	-	15,195	1,305,011
General county government	2,217,948	-	-	-	-	2,217,948
Public safety	3,336,965	-	-	1,343,751	1,379,374	6,060,090
Public works	283,305	-	-	-	-	283,305
Health and welfare	38,130	10,969,500	-	-	1,827,893	12,835,523
Culture and recreation	-	-	-	-	37,552	37,552
Other	665,995	-	-	-	2	665,997
Capital outlay	-	-	248,227	-	645,476	893,703
Debt service:						
Principal	-	-	-	-	535,000	535,000
Interest and fiscal charges	-	-	-	-	372,406	372,406
Total expenditures	<u>7,981,909</u>	<u>10,969,500</u>	<u>248,227</u>	<u>1,343,751</u>	<u>4,812,898</u>	<u>25,356,285</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(627,675)</u>	<u>(756,851)</u>	<u>(248,227)</u>	<u>133,871</u>	<u>759,484</u>	<u>(739,398)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	800,437	-	-	-	494,749	1,295,186
Transfers (out)	(256,633)	-	-	(22,500)	(666,053)	(945,186)
Total other financing sources (uses)	<u>543,804</u>	<u>-</u>	<u>-</u>	<u>(22,500)</u>	<u>(171,304)</u>	<u>350,000</u>
<b>Net Changes in Fund Balances</b>	<u>(83,871)</u>	<u>(756,851)</u>	<u>(248,227)</u>	<u>111,371</u>	<u>588,180</u>	<u>(389,398)</u>
<b>Fund Balances - Beginning of Year</b>	<u>127,498</u>	<u>766,394</u>	<u>248,227</u>	<u>17,158</u>	<u>2,269,955</u>	<u>3,429,232</u>
<b>Fund Balances - End of Year</b>	<u>\$ 43,627</u>	<u>\$ 9,543</u>	<u>\$ -</u>	<u>\$ 128,529</u>	<u>\$ 2,858,135</u>	<u>\$ 3,039,834</u>

See Notes to Financial Statements

**Oceana County, Michigan**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds (Cash Basis) to the Governmental Activities on the Statement of Activities  
(Modified Cash Basis)  
Year Ended December 31, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$ (389,398)**

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (838,230)	
Capital outlay	<u>1,261,410</u>	423,180

Add net effect of principal recognized as revenue at fund level for long-term receivable collection	(295,000)
--	-----------

Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the Statement of Net  
Assets, however, issuing debt increases long-term liabilities and does not  
affect the Statement of Activities. Similarly, repayment of principal is an  
expenditure in the governmental funds but reduces the liability in the  
Statement of Net Assets.

Repayments:

To bond holders	549,000	
Notes payable	<u>8,382</u>	<u>557,382</u>

**Change in Net Assets of Governmental Activities** **\$ 296,164**

**Oceana County, Michigan**

Statement of Net Assets

Modified Cash Basis

Proprietary Funds

December 31, 2005

	<b>Delinquent Tax Revolving Fund</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 477,554
Delinquent taxes receivable	<u>1,018,532</u>
Total current assets	<u>1,496,086</u>
<b>Current Liabilities:</b>	
Notes payable	<u>770,000</u>
<b>Net Assets:</b>	
Unrestricted	<u>726,086</u>
Total net assets	<u>\$ 726,086</u>

See Notes to Financial Statements.

**Oceana County, Michigan**  
Statement of Revenues, Expenses and Changes in Net Assets  
Modified Cash Basis  
Proprietary Funds  
Year Ended December 31, 2005

	<b>Delinquent Tax Revolving Fund</b>
<b>Operating Revenues:</b>	
Interest and penalties on delinquent taxes	\$ 407,881
<b>Operating Expenses:</b>	
Supplies and other operating expenses	10,538
Interest expense	46,589
Total operating expenses	57,127
<b>Operating Income (Loss)</b>	350,754
<b>Transfers:</b>	
Transfers (out)	(350,000)
Total transfers	(350,000)
<b>Changes in Net Assets</b>	754
<b>Net Assets - Beginning of Year</b>	725,332
<b>Net Assets - End of Year</b>	\$ 726,086

See Notes to Financial Statements.



**Oceana County, Michigan**  
Statement of Fiduciary Net Assets  
Cash Basis  
Fiduciary Funds  
December 31, 2005

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,077,458
Total assets	<u>\$ 1,077,458</u>
<b>Liabilities:</b>	
Undistributed penal fines	\$ 117,038
Other trust items payable	<u>960,420</u>
Total liabilities	<u>\$ 1,077,458</u>

See Notes to Financial Statements.

## Oceana County, Michigan

### Notes to Financial Statements

#### **Note 1 - Summary of Significant Accounting Policies and Other Matters**

Oceana County was organized in 1855, and covers an area of approximately 1,296 square miles divided into sixteen townships, six villages and one city. The county seat is located in the City of Hart. The County operates under an elected Board of Commissioners (seven members) and provides services to its approximately 26,873 (2000 census) residents in many areas including law enforcement, administration of justice, community enrichment and development and human services.

#### **Reporting Entity**

Generally accepted accounting principles require the reporting entity to include Oceana County (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

#### **Blended Component Units**

Oceana County Building Authority – The Oceana County Building Authority is governed by a five-member board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

#### **Discretely Presented Component Units**

This report does not include the financial statements of the following component units, which should be included as discretely presented component units to conform to generally accepted accounting principles.

Oceana County Drain Commission -- Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities with the power to contract; to sue and be sued; to hold, manage, and dispose of real and personal property; etc. The County Drain Commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 and Chapter 4 of the Drain Code.

The drainage board or drain commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

Oceana County Road Commission – The County Road Commission, which is established pursuant to the County Road Law, is governed by an appointed three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, the Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County's total tax levy as well as reported in the County Road Fund.

Also omitted from these statements is the Road Commission's Deferred Compensation Trust (Trust and Agency Fund), which holds and invests the Road Commission employee's deferred compensation amounts. The Road Commission is audited individually by other auditors.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Discretely Presented Component Units (Continued)**

Oceana County Economic Development Corporation – The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a thirteen-person Board of Directors appointed by the County's Board of Commissioners. The EDC may not issue debt without the Board's approval and administers a significant amount of federal economic development grant money received by the County Board. The EDC is audited individually and is not included in this report.

Complete financial statements of the individual component units, where reports are separately provided, can be obtained from their respective administrative offices or from the County Administrator's Office, P.O. Box 14, Hart, Michigan 49420. The telephone number is (231) 873-4835.

Administrative Offices

Oceana County Road Commission  
3501 West Polk  
Hart, Michigan 49420

Oceana Economic Development Corporation  
Oceana County Courthouse Annex Building  
Hart, Michigan 49420

Oceana County Drain Commission  
Oceana County Courthouse Building  
Oceana, Michigan 49420

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities on all the non-fiduciary activities of the primary government. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user's fees and charges for service.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly recorded among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported on the modified cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recorded when received in cash and expenses are recorded when paid. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recognized when received in cash and expenditures are recorded when paid.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary fund financial statements are reported using the cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recognized when received in cash and expenditures are recorded when paid.

The County reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Medical Care Facility Fund – This fund is used to account for funds raised for operating and maintaining a long-term care facility.

Medical Care Facility Capital Project Fund – This fund is used to record bond proceeds, interest, and other revenue and the disbursement of expenditures specifically designated for the Medical Care Facility Addition.

Ambulance Fund – This fund is used to account for funds raised for operating and maintaining an ambulance service for the County.

The County reports the following major proprietary funds:

Delinquent Tax Revolving Fund – This fund accounts for the County's annual purchases of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments. The Delinquent Tax Revolving Fund is the only proprietary fund of the County.

Additionally, the County reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt Service Funds – These funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds not being financed by proprietary or nonexpendable trust funds.

Capital Project Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Permanent Funds – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Agency Funds – These funds account for monies that are custodial in nature (assets equal liabilities) and do not involve the measurement of results in operations.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are revenues in excess of expenses for tax collection and internal rentals of buildings and equipment in excess of depreciation and cost of borrowing. Elimination of the revenues would distort the activity of the functions and would not reflect the proper future uses of the excesses collected for their specific governmental purposes.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit as well as amounts in the County Treasurer's cash management pools.

The County Treasurer maintains an entity-wide pooled cash account. Each fund types' portion of this pool is included in the "cash and cash equivalents" caption.

The County reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the County intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The County had no investments at year-end.

State statutes authorize the County to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Pursuant to Public Act 357 of 2004, all Michigan Counties levy a summer property tax levy in the amount of one-third of the next year's taxable value. For Oceana County, the summer 2005 tax levy was at 1.7802 mills. In 2006 two-thirds 2/3 of the total property taxes will be levied in the summer and in 2007 all property taxes will be levied in the summer.

The balance of property taxes are levied on December 1 of each year, which is the lien date, and are collected through March 1 of the year following the levy, at which time uncollected taxes become delinquent. The December 1 levy is recorded as receivable and deferred revenue at year-end because it is intended to fund expenditures of the following fiscal year. Taxes collected in December are held in the Trust and Agency Fund until the following year.

The 2005 taxable value of Oceana County totaled \$869,756,639, on which ad valorem taxes levied consisted of 5.3407 mills for the County's operating purposes, .9860 mills for ambulance services, 2.4119 mills for medical care facility services, 0.5000 mills for medical care facility debt, and 0.7395 mills for Senior Citizens' Tax Fund purposes, raising approximately \$3,015,000 for operating purposes, \$834,000 for ambulance services, \$2,042,000 for medical care facility services, \$423,000 for medical care facility debt, and \$626,000 for Senior Citizens' Tax Fund purposes. These amounts are recorded in the General, Special Revenue and Debt Service Funds financial statements as taxes receivable, with an offsetting credit to deferred revenue.

**Capital Assets**

Property and equipment are stated at cost. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs during the construction period. Capital assets are defined as assets with an estimated useful life of more than one year and with a unit cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are reported in the respective governmental or business-type activities columns in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Capital Projects (Continued)**

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	20 - 40
Machinery and equipment; furniture and fixtures	5 - 10
Vehicles	5 - 10

**Compensated Absences (Vacation and Sick Leave)**

It is the County's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick leave is earned at the rate of seven to eight hours per month depending on the department and can be accumulated up to 630 hours. Payment upon separation is 50 percent of the unused accumulated sick leave balance. Vacation is earned in varying amounts depending on the number of years of service of an employee and should be used within one year of having been credited to the employee. It may be accrued with the permission of the department head.

**Long-term Obligations**

In the government-wide financial statements, long-term debts are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity Reserves and Designations**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 - Stewardship, Compliance and Accountability**

The general and special revenue funds are the governmental fund types under formal budgetary control. The County adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the Board in September, at which time hearings on the budget are scheduled. A public hearing is held in September and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Board.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in September.
- 3) Formal budget integration was employed as a management control device during the year for all funds.

**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

- 4) Budgets presented for the general and special revenue funds were prepared on the cash basis of accounting. Encumbrances are not recorded at year-end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Board for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing Board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the County Board of Commissioners. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

**Note 3 - Cash and Cash Equivalents**

To facilitate better management of the County's resources, substantially all cash is combined in one pooled operating account. The County's excess cash is invested principally in certificates of deposit.

In addition, the cash management pool and some depository accounts are maintained by various County Departments for the deposit of fees, fines, and other miscellaneous revenue. These revenues are transferred to the County Treasurer on a regular basis. Year-end book balances in these depository accounts are included in cash for reporting purposes.

At year-end, the County's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>2,838,887</u>	\$ <u>477,554</u>	\$ <u>1,077,458</u>	\$ <u>4,393,899</u>

The breakdown between deposits and investments for the County is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 4,372,199
Petty cash and cash on hand	<u>21,700</u>
Total	\$ <u>4,393,899</u>

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the local unit. The County has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end \$4,256,227 of the County's bank balance of \$4,656,227 was exposed to custodial credit risk because it was uninsured and uncollateralized.



**Oceana County, Michigan**  
Notes to Financial Statements

**Note 4 – Capital Assets**

Capital asset activity of the County's governmental activities was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$1,365,960	\$ -	\$ -	\$ 1,365,960
Construction in progress	<u>4,616,959</u>	<u>893,703</u>	<u>5,510,662</u>	<u>-</u>
Total assets not being depreciated	<u>5,982,919</u>	<u>893,703</u>	<u>5,510,662</u>	<u>1,365,960</u>
Capital assets being depreciated:				
Building and improvements	5,743,357	5,521,212	-	11,264,569
Equipment and furniture	<u>5,768,196</u>	<u>357,157</u>	<u>-</u>	<u>6,125,353</u>
Subtotal	<u>11,511,553</u>	<u>5,878,369</u>	<u>-</u>	<u>17,389,922</u>
Accumulated depreciation:				
Building and improvements	2,197,918	281,842	-	2,479,760
Equipment and furniture	<u>2,160,193</u>	<u>556,388</u>	<u>-</u>	<u>2,716,581</u>
Subtotal	<u>4,358,111</u>	<u>838,230</u>	<u>-</u>	<u>5,196,341</u>
Net capital assets being depreciated	<u>7,153,442</u>	<u>5,040,139</u>	<u>-</u>	<u>12,193,581</u>
Net capital assets, Governmental activities	<u>\$13,136,361</u>	<u>\$ 5,933,842</u>	<u>\$(5,510,662)</u>	<u>\$13,559,541</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Judicial	\$ 11,477
General county government	58,016
Public safety	429,191
Health and welfare	<u>339,546</u>
Total depreciation expense - governmental activities	<u>\$ 838,230</u>

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 5 – Long-Term Debt**

The County issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ 9,669,000	\$ -	\$549,000	\$ 9,120,000	\$569,000
Loans payable	<u>45,659</u>	<u>-</u>	<u>8,382</u>	<u>37,277</u>	<u>8,760</u>
Total governmental activities	<u>\$9,714,659</u>	<u>\$ -</u>	<u>\$557,382</u>	<u>\$ 9,157,277</u>	<u>\$577,760</u>

General obligation bonds currently outstanding are as follows:

\$5,165,000 – City of Hart – Local Government Loan Program Revenue Bonds, Series 2001B due in annual installments of \$310,000 to \$455,000 through November 1, 2015; interest at 3.700% to 4.850%	\$ 3,755,000
\$1,890,000 – E-911 Building – Local Government Program Revenue Bonds, Series 2002, due in annual installments of \$110,000 to \$165,000 through November 1, 2017; interest of 3.250% to 4.625%	1,580,000
\$241,500 – Capital Improvement Bonds, Series 2003, due in annual installments of \$4,000 to \$15,000 through June 1, 2033; interest at 4.250%	235,000
\$350,000 – Capital Improvement Bonds, Series 2003B, due in annual installments of \$10,000 to \$30,000 through November 1, 2023; interest at 3.000% to 5.000%	330,000
\$3,500,000 – Capital Improvement Bonds, Series 2003C, due in annual installments of \$135,000 to \$245,000 through November 1, 2023; interest at 2.500% to 4.550%	<u>3,220,000</u>
Total bonded debt	<u>\$9,120,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	\$ 569,000	\$ 388,863	\$ 957,863	
2007	585,000	369,486	954,486	
2008	610,000	348,413	958,413	
2009	630,000	325,114	955,114	
2010	655,000	300,419	955,419	
2011-2015	3,696,000	1,066,061	4,762,061	
2016-2020	1,447,000	415,813	1,862,813	
2021-2025	831,000	127,186	958,186	
2026-2030	56,000	32,764	88,764	
2031-2033	<u>41,000</u>	<u>7,282</u>	<u>48,282</u>	
Total	<u>\$ 9,120,000</u>	<u>\$ 3,381,401</u>	<u>\$12,501,401</u>	-

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 5 – Long-Term Debt (Continued)**

Loans Payable

The County is party to the following long-term notes at December 31, 2005:

Note payable Michigan Aeronautics Commission, annual payments of \$8,541 including interest at 4.50%.	\$ 30,671
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Note payable Michigan Aeronautics Commission, annual payments of \$1,896 including interest at 4.50%.	<u>6,606</u>
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\$ 37,277

The notes are due in the following years:

2006	\$ 8,760
2007	9,154
2008	9,566
2009	<u>9,797</u>
	<u>\$ 37,277</u>

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Delinquent tax notes payable	<u>\$ 670,000</u>	<u>\$ 2,520,000</u>	<u>\$ 2,420,000</u>	<u>\$ 770,000</u>	<u>\$ 770,000</u>

At December 31, 2005, the County had outstanding \$770,000 of short-term general obligation tax notes. The tax notes carry interest rate at prime. All revenues related to the 2004 delinquent real property taxes have been pledged as security for the notes.

**Note 6 – Interfund Receivables and Payables**

The only interfund activity at year-end was a long-term advance from the general fund to the Drain Revolving Fund (component unit) of \$31,200.

**Note 7 - Leases Payable**

The County is party to several long-term rental agreements for office equipment. These agreements call for varying payments and terms due in the following years:

2006	\$ 11,573
2007	7,761
2008	5,233
2009	3,930
2010	<u>1,149</u>
	<u>\$ 29,646</u>

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 8 - Pension Plan**

**Plan Description**

Oceana County has a defined benefit plan for its employees that provides retirement, disability and death benefits to its members and beneficiaries. The plan is administered by the Municipal Employees Retirement System (MERS), an agent multiple employer pension plan created under Public Act 135 of 1945.

MERS issues a publicly available financial report that includes financial statements and required supplemental information for the County. This report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (517) 703-9030.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy. The County is required to contribute at an actuarially determined rate; the current rate was 5.79% at December 31, 2004.

**Annual Pension Cost**

For 2005, the County's annual pension cost was \$480,916 with the full amount being paid. The required contribution was determined as part of the December 31, 2003 actuarial valuation, using the entry age actuarial cost method. The actuarial assumptions include: a) 8% Investment Rate of Return (net of administrative expenses) and b) projected salary increases of 4.5% per year. The actuarial value of the County MERS plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The County's actuarial accrued liability has been overfunded for the past four years. Any future unfunded liability would be amortized over the next 30 years. The amortization period is open.

Three Year Trend Information

<u>Ending</u>	<u>Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
12/31/04	\$474,394	100%	\$0
12/31/03	596,546	100%	0
12/31/02	444,630	100%	0

Analysis of Funding Progress

<u>Valuation Date</u>	(1) <u>Actuarial Value of Plan Assets</u>	(2) <u>Actuarial Accrued Liability</u>	(3) <u>Funded Ratio (1)/(2)</u>	(4) <u>Unfunded (Overfunded) Actuarial Liability (2)-(1)</u>	(5) <u>Annual Covered Payroll</u>	(6) <u>Ratio of Unfunded (Funding Excess) to Covered Payroll (4)/(5)</u>
<u>December 31</u>						
2004	\$14,316,120	\$18,897,232	76%	\$3,238,774	\$9,005,597	36%
2003	14,257,027	17,611,265	81%	3,352,238	8,746,938	38%
2002	12,995,037	15,627,290	83%	2,632,253	8,376,682	31%

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 9 - Equity Transfer**

During the year, a \$350,000 equity transfer was made to the general fund from the treasurer's unrestricted tax revolving fund. The amount represents excess funds that have accumulated after several individual tax revolving fund bond issues had been liquidated. The excess funds accumulated in the individual funds are transferred to the treasurer's unrestricted fund and may then be used for general operations.

**Note 10 - Deferred Compensation Plan**

Oceana County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 Plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement 32, plan balances and activities are not reflected in Oceana County's financial statements.

**Note 11 - Related-Party Transactions**

Community Mental Health

The County leases premises to the Community Mental Health Service on a long-term lease arrangement calling for payments of \$332,864, payable \$3,000 in advance and the balance in 120 monthly installments of \$2,749. This lease commenced February 1, 1987 and expired July 1, 1997. The lease was renewed on a year-by-year basis for \$1,250 per month.

Building Authority

The County leases the Public Square site to the Authority for \$15, payable \$1 a year for 15 years.

**Note 12 - Risk Management**

Oceana County is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; liability; and natural disasters. The County is a member of the Michigan Municipal Risk Management Authority, which is a self-insured association, organized under the laws of the State of Michigan to provide self-insurance protection. The agreements between the Authority and the County are intergovernmental contracts. Under the contract, the County is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the County's self-insured retention (SIR) amounts. After the County has paid the SIR, the Authority is responsible for paying losses, including damages, loss adjustment expenses and defense costs up to a specified limit. The County's SIR and additional coverage amounts are as follows:

	<u>Retention</u>	<u>Additional Insurance</u>
Liability	\$ 75,000	\$15,000,000
Vehicle Physical Damage	\$ 15,000 per vehicle \$ 30,000 per occurrence	\$ 1,500,000
Property and Crime	10% of the next \$100,000	\$8,431,968

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 12 - Risk Management (Continued)**

The activity of this contract is recorded in the general fund. Cash balances represent ending funds on deposit with the authority at December 31, 2005. Past experience indicates incurred but unreported claims would not represent a material charge against fund equities.

Additional information is as follows:

Current year contributions to the SIR	\$ <u>25,461</u>
Funds on deposit December 31, 2005	\$ 33,058
Claims and legal reserve (on cash basis) December 31, 2005	<u>(12,600)</u>
Estimated net assets December 31, 2005	\$ <u>20,458</u>

The amounts are reported on a cash basis as provided by Michigan Municipal Risk Management Authority. Settled claims have not exceeded the SIR limits in any of the past three years.

**Note 13 - Jointly Governed Operations**

District Health Department Number 10

Oceana County, Newaygo County, Lake County, Mecosta County, Manistee County, Mason County, Crawford County, Kalkaska County, Missaukee County and Wexford County participate jointly in the operation of the District Health Department Number 10.

The Board for the District Health Department is made up of two Commissioners from each county, plus one alternate from each county.

The funding formula approved by the member counties is based pro rata on each unit's population and their share of space costs. Member counties' appropriations for 2005 were based on revisions in population due to the 2000 Census.

Oceana County's 2005 appropriation to the District Health Department was \$149,971.

Community Mental Health System

Oceana County, Lake County and Mason County participate jointly in the operation of the West Michigan Community Mental Health System.

The funding formula is based pro rata on each unit's population to the total population. Member percentages of the net operating budget for the year ended December 31, 2005 were:

Oceana	40.00%
Mason	45.00%
Lake	15.00%

Oceana County's 2005 appropriation to West Michigan Community Mental Health System was \$130,000.

Substance Abuse

Oceana County is a member of a 31 County Region Coordinating Agency, (Northern Michigan Substance Abuse Services, Inc.) which contracts for substance abuse services throughout the member area.

Each county appropriates 50% of their liquor tax fund revenues to NMSAS, Inc.

Oceana County's appropriation for 2005 was \$41,177.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 14 - Transfers In (Out)**

Interfund transfers at December 31, 2005 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 800,437	\$ 256,633
Revenue Sharing Reserve	-	450,437
Building Department	22,500	-
Parks & Recreation	17,548	9,450
Law Library	16,000	-
Child Care	170,000	32,530
Soldiers and Sailors' Relief	19,500	-
Social Welfare	5,000	-
Juvenile Justice	32,530	-
District Court Capital Projects	13,585	-
Mason/Oceana E-911	-	173,636
Ambulance	-	22,500
Mason/Oceana E-911 Debt	173,636	-
Crystal Valley County Park	24,450	-
Tax Revolving	-	350,000
	<u>\$1,295,186</u>	<u>\$1,295,186</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### **Required Supplemental Information**



**Oceana County, Michigan**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balances - Budget to Actual  
Cash Basis  
General Fund and Major Special Revenue Funds  
Year Ended December 31, 2005

	General Fund			Medical Care Facility			Ambulance		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenues:</b>									
Taxes	\$4,556,381	\$4,556,381	\$4,408,655	\$1,944,108	\$1,944,108	\$1,929,528	\$813,370	\$813,370	\$789,950
Licenses and permits	63,700	63,700	71,282	-	-	-	-	-	-
Intergovernmental	1,474,632	1,536,648	1,396,872	-	-	-	-	-	-
Charges for services	1,292,380	1,292,380	1,141,155	8,188,183	8,188,183	8,269,499	625,434	625,434	687,672
Fines and forfeitures	9,510	9,510	8,263	-	-	-	-	-	-
Interest and rents	46,775	46,775	111,295	30,000	30,000	13,622	-	-	-
Other	164,842	173,527	216,712	-	-	-	-	-	-
Total revenues	7,608,220	7,678,921	7,354,234	10,162,291	10,162,291	10,212,649	1,438,804	1,438,804	1,477,622
<b>Expenditures:</b>									
Current operations:									
Legislative	154,455	154,455	149,750	-	-	-	-	-	-
Judicial	1,373,619	1,377,429	1,289,816	-	-	-	-	-	-
General county government	2,202,957	2,310,393	2,217,948	-	-	-	-	-	-
Public safety	3,400,525	3,438,286	3,336,965	-	-	-	1,438,804	1,438,804	1,343,751
Public works	284,144	297,354	283,305	-	-	-	-	-	-
Health and welfare	30,400	40,330	38,130	10,162,291	10,162,291	10,969,500	-	-	-
Other	690,691	677,317	665,995	-	-	-	-	-	-
Total expenditures	8,136,791	8,295,564	7,981,909	10,162,291	10,162,291	10,969,500	1,438,804	1,438,804	1,343,751
<b>Revenues Over (Under) Expenditures</b>	<b>(528,571)</b>	<b>(616,643)</b>	<b>(627,675)</b>	-	-	<b>(756,851)</b>	-	-	<b>133,871</b>
<b>Other Financing Sources (Uses):</b>									
Transfers in	910,000	910,000	800,437	-	-	-	-	-	-
Transfers out	(381,429)	(293,357)	(256,633)	-	-	-	-	-	(22,500)
Total other financing sources (uses)	528,571	616,643	543,804	-	-	-	-	-	(22,500)
<b>Net Changes in Fund Balances</b>	-	-	<b>(83,871)</b>	-	-	<b>(756,851)</b>	-	-	<b>111,371</b>
<b>Fund Balances - Beginning of Year</b>	<b>127,498</b>	<b>127,498</b>	<b>127,498</b>	<b>766,394</b>	<b>766,394</b>	<b>766,394</b>	<b>17,158</b>	<b>17,158</b>	<b>17,158</b>
<b>Fund Balances - End of Year</b>	<b>\$ 127,498</b>	<b>\$ 127,498</b>	<b>\$ 43,627</b>	<b>\$ 766,394</b>	<b>\$ 766,394</b>	<b>\$ 9,543</b>	<b>\$ 17,158</b>	<b>\$ 17,158</b>	<b>\$ 128,529</b>

## **Other Supplemental Information**

**Oceana County, Michigan**  
Combining Balance Sheet  
Cash Basis  
Nonmajor Governmental Funds  
December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
<b><u>Assets</u></b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,520,385	\$ 262,185	\$ 150,305	\$ 150,609	\$ 2,083,484
Due from other funds	774,651	-	-	-	774,651
Property taxes receivable	626,214	423,403	-	-	1,049,617
Total assets	<u>\$ 2,921,250</u>	<u>\$ 685,588</u>	<u>\$ 150,305</u>	<u>\$ 150,609</u>	<u>\$ 3,907,752</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities:</b>					
Deferred property taxes	\$ 626,214	\$ 423,403	\$ -	\$ -	\$ 1,049,617
Total liabilities	<u>626,214</u>	<u>423,403</u>	<u>-</u>	<u>-</u>	<u>1,049,617</u>
<b>Fund Balances:</b>					
Unreserved:					
Designated	60,537	-	150,305	150,609	361,451
Unreserved: undesignated	2,234,499	262,185	-	-	2,496,684
Total fund balances	<u>2,295,036</u>	<u>262,185</u>	<u>150,305</u>	<u>150,609</u>	<u>2,858,135</u>
Total liabilities and fund balances	<u>\$ 2,921,250</u>	<u>\$ 685,588</u>	<u>\$ 150,305</u>	<u>\$ 150,609</u>	<u>\$ 3,907,752</u>

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Cash Basis  
Nonmajor Governmental Funds  
Year Ended December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
<b>Revenues:</b>					
Taxes	\$ 1,985,246	\$ 405,806	\$ -	\$ -	\$ 2,391,052
Intergovernmental	597,155	-	-	-	597,155
Charges for services	1,871,608	-	-	-	1,871,608
Interest and rents	-	-	-	7	7
Contributions from local units	-	471,688	-	-	471,688
Other	154,084	-	86,788	-	240,872
Total revenues	<u>4,608,093</u>	<u>877,494</u>	<u>86,788</u>	<u>7</u>	<u>5,572,382</u>
<b>Expenditures:</b>					
Current operations:					
Judicial	15,195	-	-	-	15,195
Public safety	1,379,374	-	-	-	1,379,374
Health and welfare	1,827,893	-	-	-	1,827,893
Culture and recreation	37,552	-	-	-	37,552
Other	-	-	-	2	2
Capital outlay	31,447	-	614,029	-	645,476
Debt service:					
Principal	-	535,000	-	-	535,000
Interest	-	372,406	-	-	372,406
Total expenditures	<u>3,291,461</u>	<u>907,406</u>	<u>614,029</u>	<u>2</u>	<u>4,812,898</u>
<b>Revenues Over (Under) Expenditures</b>	<u>1,316,632</u>	<u>(29,912)</u>	<u>(527,241)</u>	<u>5</u>	<u>759,484</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	307,528	173,636	13,585	-	494,749
Transfers (out)	(666,053)	-	-	-	(666,053)
Total other financing sources (uses)	<u>(358,525)</u>	<u>173,636</u>	<u>13,585</u>	<u>-</u>	<u>(171,304)</u>
<b>Net Changes in Fund Balances</b>	958,107	143,724	(513,656)	5	588,180
<b>Fund Balances - Beginning of Year</b>	<u>1,336,929</u>	<u>118,461</u>	<u>663,961</u>	<u>150,604</u>	<u>2,269,955</u>
<b>Fund Balances - End of Year</b>	<u>\$ 2,295,036</u>	<u>\$ 262,185</u>	<u>\$ 150,305</u>	<u>\$ 150,609</u>	<u>\$ 2,858,135</u>

**Oceana County, Michigan**  
Combining Balance Sheet  
Cash Basis  
Nonmajor Special Revenue Funds  
December 31, 2005

	Parks and Recreation	Friend of the Court	Public Improvement	Building Department	Interim				Law Library	Child Care
					Elderly and Handicapped	Drug Enforcement	Law	Library		
<b>Assets:</b>										
Cash and cash equivalents	\$ 28,648	\$ 33,263	\$ 60,537	\$ 173,636	\$ -	\$ 8,511	\$ 15,442	\$ -		23,758
Due from other funds	-	-	-	-	-	-	-	-		-
Property taxes receivable	-	-	-	-	-	-	-	-		-
Total assets	<u>\$ 28,648</u>	<u>\$ 33,263</u>	<u>\$ 60,537</u>	<u>\$ 173,636</u>	<u>\$ -</u>	<u>\$ 8,511</u>	<u>\$ 15,442</u>	<u>\$ -</u>		<u>23,758</u>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities:</b>										
Deferred property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>-</u>
<b>Fund Balances:</b>										
Unreserved:										
Designated for capital expenditures	-	-	60,537	-	-	-	-	-		-
Unreserved: undesignated	28,648	33,263	-	173,636	-	8,511	15,442	-		23,758
Total fund balances	<u>28,648</u>	<u>33,263</u>	<u>60,537</u>	<u>173,636</u>	<u>-</u>	<u>8,511</u>	<u>15,442</u>	<u>-</u>		<u>23,758</u>
Total liabilities and fund balances	<u>\$ 28,648</u>	<u>\$ 33,263</u>	<u>\$ 60,537</u>	<u>\$ 173,636</u>	<u>\$ -</u>	<u>\$ 8,511</u>	<u>\$ 15,442</u>	<u>\$ -</u>		<u>23,758</u>

**Oceana County, Michigan**  
Combining Balance Sheet (Continued)  
Cash Basis  
Nonmajor Special Revenue Funds  
December 31, 2005

	Soldiers' And Sailors' Relief	Veterans' Trust	Senior Citizens' Tax Fund	Social Welfare	Juvenile Justice	Victims' Restitution	Automation R.O.D.	Mason/ Oceana E-911
\$ 123 \$	106 \$	2,250 \$	42,105 \$	10,390 \$	541 \$	125,318 \$	709,312	
-	-	-	-	-	-	-	-	-
-	-	626,214	-	-	-	-	-	-
\$ 123 \$	106 \$	628,464 \$	42,105 \$	10,390 \$	541 \$	125,318 \$	709,312	
<b>Liabilities and Fund Balances</b>								
\$ - \$	- \$	626,214 \$	- \$	- \$	- \$	- \$	- \$	-
-	-	626,214	-	-	-	-	-	-
<b>Fund Balances:</b>								
-	-	-	-	-	-	-	-	-
123	106	2,250	42,105	10,390	541	125,318	709,312	
123	106	2,250	42,105	10,390	541	125,318	709,312	
\$ 123 \$	106 \$	628,464 \$	42,105 \$	10,390 \$	541 \$	125,318 \$	709,312	

**Assets**

**Assets:**  
Cash and cash equivalents  
Due from other funds  
Property taxes receivable  
Total assets

**Liabilities and Fund Balances**

**Liabilities:**  
Deferred property taxes  
Total liabilities

**Fund Balances:**  
Unreserved:  
Designated for capital expenditures  
Unreserved: undesignated  
Total fund balances  
Total liabilities and fund balances

**Oceana County, Michigan**  
Combining Balance Sheet (Concluded)  
Cash Basis  
Nonmajor Special Revenue Funds  
December 31, 2005

	Local Correction Officer Training	Revenue Sharing Reserve	Crystal Valley County Park	Foreclosure	Total
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**Assets**

**Assets:**

Cash and cash equivalents	\$ 14,385	\$ 228,518	\$ 424	\$ 43,118	\$ 1,520,385
Due from other funds	-	774,651	-	-	774,651
Property taxes receivable	-	-	-	-	626,214
Total assets	\$ 14,385	\$ 1,003,169	\$ 424	\$ 43,118	\$ 2,921,250

**Liabilities and Fund Balances**

**Liabilities:**

Deferred property taxes	\$ -	\$ -	\$ -	\$ -	\$ 626,214
Total liabilities	-	-	-	-	626,214

**Fund Balances:**

Unreserved:  
Designated for capital expenditures  
Unreserved: undesignated  
Total fund balances  
Total liabilities and fund balances

-	-	-	-	-	60,537
14,385	1,003,169	424	43,118	2,234,499	
14,385	1,003,169	424	43,118	2,295,036	
\$ 14,385	\$ 1,003,169	\$ 424	\$ 43,118	\$ 2,921,250	

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Cash Basis  
Nonmajor Special Revenue Funds  
Year Ended December 31, 2005

	Parks and Recreation	Friend of the Court	Public Improvement	Building Department	Interim Elderly and Handicapped	Drug Law Enforcement	Law Library	Child Care
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	23,764	-	-	149,457
Charges for services	1,949	-	-	330,169	-	-	-	38,710
Other	-	8,319	31,270	-	-	250	1,750	-
Total revenues	<u>1,949</u>	<u>8,319</u>	<u>31,270</u>	<u>330,169</u>	<u>23,764</u>	<u>250</u>	<u>1,750</u>	<u>188,167</u>
<b>Expenditures:</b>								
Judicial	-	-	-	-	-	-	15,195	-
Public safety	-	-	-	-	-	1,240	-	-
Health and welfare	-	-	-	399,348	23,764	-	-	324,354
Culture and recreation	13,526	-	-	-	-	-	-	-
Capital outlay	-	-	23,456	-	-	-	-	-
Total expenditures	<u>13,526</u>	<u>-</u>	<u>23,456</u>	<u>399,348</u>	<u>23,764</u>	<u>1,240</u>	<u>15,195</u>	<u>324,354</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(11,577)</u>	<u>8,319</u>	<u>7,814</u>	<u>(69,179)</u>	<u>-</u>	<u>(990)</u>	<u>(13,445)</u>	<u>(136,187)</u>
<b>Other Financing Sources (Uses):</b>								
Transfers in	17,548	-	-	22,500	-	-	16,000	170,000
Transfers (out)	<u>(9,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,530)</u>
Total other financing sources (uses)	<u>8,098</u>	<u>-</u>	<u>-</u>	<u>22,500</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>137,470</u>
<b>Net Changes in Fund Balances</b>	<u>(3,479)</u>	<u>8,319</u>	<u>7,814</u>	<u>(46,679)</u>	<u>-</u>	<u>(990)</u>	<u>2,555</u>	<u>1,283</u>
<b>Fund Balances - Beginning of Year</b>	<u>32,127</u>	<u>24,944</u>	<u>52,723</u>	<u>220,315</u>	<u>-</u>	<u>9,501</u>	<u>12,887</u>	<u>22,475</u>
<b>Fund Balances - End of Year</b>	<u>\$ 28,648</u>	<u>\$ 33,263</u>	<u>\$ 60,537</u>	<u>\$ 173,636</u>	<u>\$ -</u>	<u>\$ 8,511</u>	<u>\$ 15,442</u>	<u>\$ 23,758</u>



**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (Continued)

Cash Basis  
Nonmajor Special Revenue Funds  
Year Ended December 31, 2005

	Soldiers' & Sailors' Relief	Veterans' Trust	Senior Citizens' Tax Fund	Social Welfare	Juvenile Justice	Victims' Restitution	Automation R.O.D.	Mason/ Oceana E-911
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ 592,482	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	4,662	-	404,272	15,000	-	-	-
Charges for services	-	-	-	-	-	-	-	1,489,970
Other	-	-	-	20,352	-	-	49,025	-
Total revenues	-	4,662	592,482	424,624	15,000	-	49,025	1,489,970
<b>Expenditures:</b>								
Judicial	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	1,373,599
Health and welfare	20,969	5,447	590,232	413,504	50,275	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	7,991	-
Total expenditures	20,969	5,447	590,232	413,504	50,275	-	7,991	1,373,599
<b>Revenues Over (Under) Expenditures</b>	(20,969)	(785)	2,250	11,120	(35,275)	-	41,034	116,371
<b>Other Financing Sources (Uses):</b>								
Transfers in	19,500	-	-	5,000	32,530	-	-	-
Transfers (out)	-	-	-	-	-	-	-	(173,636)
Total other financing sources (uses)	19,500	-	-	5,000	32,530	-	-	(173,636)
<b>Net Changes in Fund Balances</b>	(1,469)	(785)	2,250	16,120	(2,745)	-	41,034	(57,265)
<b>Fund Balances - Beginning of Year</b>	1,592	891	-	25,985	13,135	541	84,284	766,577
<b>Fund Balances - End of Year</b>	\$ 123	\$ 106	\$ 2,250	\$ 42,105	\$ 10,390	\$ 541	\$ 125,318	\$ 709,312

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (Concluded)

Cash Basis  
Nonmajor Special Revenue Funds  
Year Ended December 31, 2005

	Local Correction Officer Training	Revenue Sharing Reserve	Crystal Valley County Park	Foreclosure	Total
<b>Revenues:</b>					
Taxes	\$ -	\$ 1,392,764	\$ -	\$ -	\$ 1,985,246
Intergovernmental	-	-	-	-	597,155
Charges for services	10,810	-	-	-	1,871,608
Other	-	-	-	43,118	154,084
Total revenues	10,810	1,392,764	-	43,118	4,608,093
<b>Expenditures:</b>					
Judicial	-	-	-	-	15,195
Public safety	4,535	-	-	-	1,379,374
Health and welfare	-	-	-	-	1,827,893
Culture and recreation	-	-	24,026	-	37,552
Capital outlay	-	-	-	-	31,447
Total expenditures	4,535	-	24,026	-	3,291,461
<b>Revenues Over (Under) Expenditures</b>	6,275	1,392,764	(24,026)	43,118	1,316,632
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	24,450	-	307,528
Transfers (out)	-	(450,437)	-	-	(666,053)
Total other financing sources (uses)	-	(450,437)	24,450	-	(358,525)
<b>Net Changes in Fund Balances</b>	6,275	942,327	424	43,118	958,107
<b>Fund Balances - Beginning of Year</b>	8,110	60,842	-	-	1,336,929
<b>Fund Balances - End of Year</b>	\$ 14,385	\$ 1,003,169	\$ 424	\$ 43,118	\$ 2,295,036

**Oceana County, Michigan**  
Combining Balance Sheet  
Cash Basis  
Nonmajor Debt Service Funds  
December 31, 2005

	<u>Medical Care</u>	<u>Wastewater</u>	<u>Mason/</u>	
	<u>Facility</u>	<u>Treatment</u>	<u>Oceana</u>	
<u>Assets</u>		<u>Plant</u>	<u>E-911</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 259,949	\$ 2,236	\$ -	\$ 262,185
Taxes receivable	<u>423,403</u>	<u>-</u>	<u>-</u>	<u>423,403</u>
	<u>\$ 683,352</u>	<u>\$ 2,236</u>	<u>\$ -</u>	<u>\$ 685,588</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities:</b>				
Deferred property taxes	\$ 423,403	\$ -	\$ -	\$ 423,403
Total liabilities	<u>423,403</u>	<u>-</u>	<u>-</u>	<u>423,403</u>
<b>Fund Balances:</b>				
Unreserved: undesignated	<u>259,949</u>	<u>2,236</u>	<u>-</u>	<u>262,185</u>
Total liabilities and fund balances	<u>\$ 683,352</u>	<u>\$ 2,236</u>	<u>\$ -</u>	<u>\$ 685,588</u>

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Cash Basis  
Nonmajor Debt Service Funds  
Year Ended December 31, 2005

	Medical Care Facility	Wasterwater Treatment Plant	Mason/ Oceana E-911	Total
<b>Revenues:</b>				
Taxes	\$ 405,806	\$ -	\$ -	\$ 405,806
Contributions from local units	-	471,688	-	471,688
Total revenues	<u>405,806</u>	<u>471,688</u>	<u>-</u>	<u>877,494</u>
<b>Expenditures:</b>				
Debt service:				
Principal retirement	135,000	295,000	105,000	535,000
Interest and fiscal charges	<u>127,082</u>	<u>176,688</u>	<u>68,636</u>	<u>372,406</u>
Total expenditures	<u>262,082</u>	<u>471,688</u>	<u>173,636</u>	<u>907,406</u>
<b>Revenues Over (Under) Expenditures</b>	<u>143,724</u>	<u>-</u>	<u>(173,636)</u>	<u>(29,912)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	173,636	173,636
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>173,636</u>	<u>173,636</u>
<b>Net Changes in Fund Balances</b>	143,724	-	-	143,724
<b>Fund Balances - Beginning of Year</b>	<u>116,225</u>	<u>2,236</u>	<u>-</u>	<u>118,461</u>
<b>Fund Balances - End of Year</b>	<u>\$ 259,949</u>	<u>\$ 2,236</u>	<u>\$ -</u>	<u>\$ 262,185</u>

**Oceana County, Michigan**  
Combining Balance Sheet  
Cash Basis  
Nonmajor Capital Project Funds  
December 31, 2005

	District Court	Sheriff	Medical Care Facility Replacement	Total
<u><b>Assets</b></u>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 13,586	\$ 136,719	\$ -	\$ 150,305
<u><b>Fund Balances</b></u>				
<b>Fund Balances:</b>				
Unreserved:				
Designated for capital expenditures	\$ 13,586	\$ 136,719	\$ -	\$ 150,305

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Cash Basis  
Nonmajor Capital Project Funds  
Year Ended December 31, 2005

	District Court	Sheriff	Medical Care Facility Replacement	Total
<b>Revenues:</b>				
Other	\$ -	\$ 35,899	\$ 50,889	\$ 86,788
Total revenues	<u>-</u>	<u>35,899</u>	<u>50,889</u>	<u>86,788</u>
<b>Expenditures:</b>				
Capital outlay	<u>-</u>	<u>-</u>	<u>614,029</u>	<u>614,029</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>35,899</u>	<u>(563,140)</u>	<u>(527,241)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>13,585</u>	<u>-</u>	<u>-</u>	<u>13,585</u>
Total other financing sources (uses)	<u>13,585</u>	<u>-</u>	<u>-</u>	<u>13,585</u>
<b>Net Changes in Fund Balances</b>	13,585	35,899	(563,140)	(513,656)
<b>Fund Balances - Beginning of Year</b>	<u>1</u>	<u>100,820</u>	<u>563,140</u>	<u>663,961</u>
<b>Fund Balances - End of Year</b>	<u>\$ 13,586</u>	<u>\$ 136,719</u>	<u>\$ -</u>	<u>\$ 150,305</u>

**Oceana County, Michigan**

Combining Balance Sheet

Cash Basis

Nonmajor Permanent Funds

December 31, 2005

	Cemetery Trust	Medical Care Endowment	Total
<b><u>Assets</u></b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 307	\$ 150,302	\$ 150,609
<b><u>Fund Balances</u></b>			
<b>Fund Balances:</b>			
Unreserved:			
Designated for programs	\$ 307	\$ 150,302	\$ 150,609

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Cash Basis  
Nonmajor Permanent Funds  
Year Ended December 31, 2005

	Cemetery Trust	Medical Care Endowment	Total
<b>Revenues:</b>			
Interest	\$ 7	\$ -	\$ 7
Total revenues	<u>7</u>	<u>-</u>	<u>7</u>
<b>Expenditures:</b>			
Other	<u>2</u>	<u>-</u>	<u>2</u>
<b>Net Changes in Fund Balances</b>	5	-	5
<b>Fund Balances - Beginning of Year</b>	<u>302</u>	<u>150,302</u>	<u>150,604</u>
<b>Fund Balances - End of Year</b>	<u>\$ 307</u>	<u>\$ 150,302</u>	<u>\$ 150,609</u>



**Oceana County, Michigan**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget to Actual  
Cash Basis  
General Fund  
(With Comparative Totals for the Prior Year)  
Year Ended December 31, 2005

	<u>2005</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Taxes	\$ 4,556,381	\$ 4,408,655	\$ (147,726)	\$ 4,084,444
Licenses and permits	63,700	71,282	7,582	65,265
Intergovernmental	1,536,648	1,396,872	(139,776)	1,532,362
Charges for services	1,292,380	1,141,155	(151,225)	1,164,350
Fines and forfeitures	9,510	8,263	(1,247)	8,236
Interest and rentals	46,775	111,295	64,520	50,761
Other	<u>173,527</u>	<u>216,712</u>	<u>43,185</u>	<u>178,021</u>
Total revenues	<u>7,678,921</u>	<u>7,354,234</u>	<u>(324,687)</u>	<u>7,083,439</u>
<b>Expenditures:</b>				
Current operations:				
Legislative				
Governing body	<u>154,455</u>	<u>149,750</u>	<u>4,705</u>	<u>138,258</u>
Judicial				
Circuit court	402,524	375,535	26,989	373,901
District court	418,250	379,365	38,885	390,207
Friend of the court	309,699	289,932	19,767	289,589
Probate court	243,046	241,386	1,660	229,372
Jury board	<u>3,910</u>	<u>3,598</u>	<u>312</u>	<u>3,440</u>
Total judicial	<u>1,377,429</u>	<u>1,289,816</u>	<u>87,613</u>	<u>1,286,509</u>
General county government				
County administrator	160,711	159,423	1,288	141,428
Elections	11,283	2,444	8,839	60,637
Clerk	305,475	282,150	23,325	276,472
Equalization	200,512	200,508	4	189,104
Prosecuting attorney	331,847	326,971	4,876	304,636
Register of deeds	158,541	154,730	3,811	149,431
Plat board	1,340	440	900	850
Remonumentation	83,956	83,953	3	42,952
Treasurer	170,487	159,177	11,310	166,027
Tax administration	3,823	3,767	56	3,688
Cooperative extension	124,411	113,074	11,337	117,280
Building and grounds	315,732	313,041	2,691	294,449
Other general government	<u>442,275</u>	<u>418,270</u>	<u>24,005</u>	<u>383,340</u>
Total general county government	<u>2,310,393</u>	<u>2,217,948</u>	<u>92,445</u>	<u>2,130,294</u>

**Oceana County, Michigan**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget to Actual  
Cash Basis  
General Fund  
(With Comparative Totals for the Prior Year)  
Year Ended December 31, 2005

	<u>2005</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
<b>Expenditures (Continued):</b>				
Public safety				
Sheriffs' department	\$ 1,577,005	\$ 1,570,104	\$ 6,901	\$ 1,492,166
Training	7,400	7,388	12	2,148
Marine law enforcement	95,722	95,722	-	80,671
Snowmobile enforcement	24,859	23,843	1,016	23,915
Road patrol	157,995	133,672	24,323	133,155
Corrections department	1,018,272	1,016,079	2,193	1,007,635
Parole	5,450	4,463	987	4,340
Planning commission	18,392	14,480	3,912	19,176
Emergency preparedness	409,954	350,637	59,317	92,814
Other	2,041	1,344	697	76,310
Animal shelter	<u>121,196</u>	<u>119,233</u>	<u>1,963</u>	<u>107,649</u>
Total public safety	<u>3,438,286</u>	<u>3,336,965</u>	<u>101,321</u>	<u>3,039,979</u>
Public works				
Drain commission	134,263	120,225	14,038	124,706
Drains public benefit	21,898	21,889	9	19,681
Refuse collection and disposal	<u>141,193</u>	<u>141,191</u>	<u>2</u>	<u>136,765</u>
Total public works	<u>297,354</u>	<u>283,305</u>	<u>14,049</u>	<u>281,152</u>
Health and welfare	<u>40,330</u>	<u>38,130</u>	<u>2,200</u>	<u>25,219</u>
Other				
Appropriations	371,121	370,053	1,068	354,851
Other	<u>306,196</u>	<u>295,942</u>	<u>10,254</u>	<u>273,298</u>
Total other	<u>677,317</u>	<u>665,995</u>	<u>11,322</u>	<u>628,149</u>
Total expenditures	<u>8,295,564</u>	<u>7,981,909</u>	<u>313,655</u>	<u>7,529,560</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(616,643)</u>	<u>(627,675)</u>	<u>(11,032)</u>	<u>(446,121)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	910,000	800,437	(109,563)	650,000
Transfers (out)	<u>(293,357)</u>	<u>(256,633)</u>	<u>36,724</u>	<u>(215,875)</u>
Total other financing sources (uses)	<u>616,643</u>	<u>543,804</u>	<u>(72,839)</u>	<u>434,125</u>
<b>Net Changes in Fund Balances</b>	-	(83,871)	(83,871)	(11,996)

**Oceana County, Michigan**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget to Actual  
Cash Basis  
General Fund  
(With Comparative Totals for the Prior Year)  
Year Ended December 31, 2005

	<u>2005</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
			<u>Prior Year Actual</u>
<b>Fund Balances - Beginning of Year</b>	\$ 127,498	\$ 127,498	\$ - \$ 139,494
<b>Fund Balances - End of Year</b>	\$ 127,498	\$ 43,627	\$ (83,871) \$ 127,498

**Oceana County, Michigan**  
Schedule of Bonded Indebtedness  
December 31, 2005

**2001 Sewage Disposal Bonds**  
**Revenue Bonds Series 2001B**

Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2005
July 12, 2001	\$ 5,165,000	3.700%	11/01/06	\$ 165,773	\$ 310,000	\$ 310,000
		3.800%	11/01/07	153,992	320,000	320,000
		3.950%	11/01/08	141,353	335,000	335,000
		4.150%	11/01/09	127,450	345,000	345,000
		4.250%	11/01/10	112,788	365,000	365,000
		4.350%	11/01/11	96,910	380,000	380,000
		4.450%	11/01/12	80,000	395,000	395,000
		4.550%	11/01/13	62,027	415,000	415,000
		4.650%	11/01/14	42,730	435,000	435,000
		4.850%	11/01/15	22,068	455,000	455,000
						<u>\$ 3,755,000</u>

**2002 Capital Improvement Bonds**

Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2005
November 1, 2002	\$ 1,890,000	3.250%	11/01/06	\$ 65,224	\$ 110,000	\$ 110,000
		3.500%	11/01/07	61,649	110,000	110,000
		3.750%	11/01/08	57,799	115,000	115,000
		4.000%	11/01/09	53,486	120,000	120,000
		4.000%	11/01/10	48,686	120,000	120,000
		4.000%	11/01/11	43,886	125,000	125,000
		4.100%	11/01/12	38,886	130,000	130,000
		4.250%	11/01/13	33,556	135,000	135,000
		4.350%	11/01/14	27,819	145,000	145,000
		4.500%	11/01/15	21,511	150,000	150,000
		4.600%	11/01/16	14,761	155,000	155,000
		4.625%	11/01/17	7,632	165,000	165,000
						<u>\$ 1,580,000</u>

**Oceana County, Michigan**  
Schedule of Bonded Indebtedness  
(Continued)  
December 31, 2005

2003 Capital Improvement Bonds	Date of Issue September 29, 2003	Amount of Issue \$241,500	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2005
			4.250%	06/01/06	\$ 20,369	\$ 4,000	\$ 4,000
			4.250%	06/01/07	20,022	5,000	5,000
			4.250%	06/01/08	19,589	5,000	5,000
			4.250%	06/01/09	19,155	5,000	5,000
			4.250%	06/01/10	18,722	5,000	5,000
			4.250%	06/01/11	18,289	6,000	6,000
			4.250%	06/01/12	17,768	6,000	6,000
			4.250%	06/01/13	17,248	6,000	6,000
			4.250%	06/01/14	16,728	6,000	6,000
			4.250%	06/01/15	16,208	7,000	7,000
			4.250%	06/01/16	15,602	7,000	7,000
			4.250%	06/01/17	14,995	7,000	7,000
			4.250%	06/01/18	14,388	7,000	7,000
			4.250%	06/01/19	13,781	8,000	8,000
			4.250%	06/01/20	13,088	8,000	8,000
			4.250%	06/01/21	12,395	8,000	8,000
			4.250%	06/01/22	11,701	9,000	9,000
			4.250%	06/01/23	10,921	9,000	9,000
			4.250%	06/01/24	10,141	10,000	10,000
			4.250%	06/01/25	9,274	10,000	10,000
			4.250%	06/01/26	8,408	10,000	10,000
			4.250%	06/01/27	7,541	11,000	11,000
			4.250%	06/01/28	6,587	11,000	11,000
			4.250%	06/01/29	5,634	12,000	12,000
			4.250%	06/01/30	4,594	12,000	12,000
			4.250%	06/01/31	3,554	13,000	13,000
			4.250%	06/01/32	2,428	13,000	13,000
			4.250%	06/01/33	1,300	15,000	15,000
							<u>\$ 235,000</u>

**Oceana County, Michigan**  
Schedule of Bonded Indebtedness  
(Continued)  
December 31, 2005

2003 Capital Improvement Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2005
	November 1, 2003	\$350,000	3.000%	11/01/06	\$ 13,790	\$ 10,000	\$ 10,000
			3.000%	11/01/07	13,490	10,000	10,000
			3.000%	11/01/08	13,190	15,000	15,000
			3.000%	11/01/09	12,740	15,000	15,000
			3.250%	11/01/10	12,290	15,000	15,000
			3.500%	11/01/11	11,803	15,000	15,000
			3.750%	11/01/12	11,277	15,000	15,000
			4.000%	11/01/13	10,715	15,000	15,000
			4.100%	11/01/14	10,115	15,000	15,000
			4.200%	11/01/15	9,500	20,000	20,000
			4.300%	11/01/16	8,660	20,000	20,000
			4.400%	11/01/17	7,800	20,000	20,000
			4.500%	11/01/18	6,920	20,000	20,000
			4.600%	11/01/19	6,020	20,000	20,000
			4.700%	11/01/20	5,100	25,000	25,000
			4.800%	11/01/21	3,925	25,000	25,000
			4.900%	11/01/22	2,725	25,000	25,000
			5.000%	11/01/23	1,500	30,000	30,000
							<u>\$ 330,000</u>

**Oceana County, Michigan**  
Schedule of Bonded Indebtedness  
(Continued)

December 31, 2005

2003 Capital Improvement Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2005
	December 31, 2003	\$3,500,000	2.500%	11/01/06	\$ 123,707	\$ 135,000	\$ 135,000
			2.750%	11/01/07	120,333	140,000	140,000
			3.000%	11/01/08	116,482	140,000	140,000
			3.000%	11/01/09	112,283	145,000	145,000
			3.500%	11/01/10	107,933	150,000	150,000
			3.500%	11/01/11	102,682	155,000	155,000
			3.500%	11/01/12	97,258	155,000	155,000
			3.650%	11/01/13	91,832	165,000	165,000
			3.750%	11/01/14	85,810	170,000	170,000
			3.850%	11/01/15	79,435	175,000	175,000
			3.950%	11/01/16	72,698	180,000	180,000
			4.050%	11/01/17	65,588	190,000	190,000
			4.150%	11/01/18	57,893	195,000	195,000
			4.250%	11/01/19	49,800	205,000	205,000
			4.350%	11/01/20	41,087	215,000	215,000
			4.450%	11/01/21	31,735	225,000	225,000
			4.500%	11/01/22	21,722	235,000	235,000
			4.550%	11/01/23	11,147	245,000	245,000
							<u>\$ 3,220,000</u>



February 18, 2006

Board of Commissioners  
Oceana County  
Hart, Michigan

We have audited the financial statements of Oceana County, Michigan for the year ended December 31, 2005, and have issued our report thereon dated February 18, 2006. In planning and performing our audit of the financial statements of the County, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

The Management of the County is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide the Board with a reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Board's authorization and recorded properly to permit the preparation of financial statements in accordance with the modified cash and cash basis of accounting.

Because of the inherent limitations in any system of internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the County taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement proposal our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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**WILLIS & JURASEK, P.C.**

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#### Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded in the current year.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). We made adjusting journal entries for the year ended December 31, 2005, some which had a material effect on the balances in the General Fund and the Revenue Sharing Fund.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

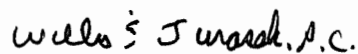
Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Board of Commissioners and management of Ocean County and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the County and its staff for the cooperation extended to us during our audit and would be happy to discuss any of the comments in detail if you so desire.

Very truly yours,

A handwritten signature in black ink that reads "Willis & Jurasek, P.C." in a cursive, slightly stylized font.

Willis & Jurasek, P.C.

**Oceana County**  
Comments and Recommendations  
December 31, 2005

Revenue Sharing Reserve Fund

As mentioned above, we made a material adjustment to this fund that also had an affect on the General Fund in the amount of approximately \$775,000.

The adjustment had to do with the amount of money that was recorded as a transfer out of this fund into the General Fund. There are specific requirements as to the amounts that may be transferred from this fund on an annual basis as outlined by the State of Michigan.

It appears that this fund is not being accounted for correctly concerning the tax collections being recorded into the fund and the transfers that are being made out of the fund. The County Treasurer follow the guidelines as outlined by the State of Michigan as it pertains to the use of this fund and the proper recording of the amounts that are allowable for transfer to the General Fund during each year. For 2006 the amount that may be transferred per the State guidance is \$461,397.

The negative side is your internal financial statements that are monitored during the year are over inflating the fund balance of your General Fund as well as understating the fund balance in the Revenue Sharing Reserve Fund. We recommend that you revisit the balances recorded in the current year you are operating under and ensure that the amounts are being recorded properly to avoid large adjustments at year end and to give a better picture of the activity during the year.

We could assist the Treasurer's office on the proper recording of these amounts.

Modified Cash Basis and Cash Basis Financial Statements

Your financial statements have been prepared on a modified cash basis of accounting for the government-wide financial statements and on a cash basis for the fund financial statements. We would recommend the County consider working toward application of the full accrual basis of accounting for the government-wide financial statements and modified accrual basis of accounting for the fund financial statements.

This would require some changes on the County's part as far as recording accounts receivable, accounts payable, etc., at least at year end. Your current general ledger software would allow for this. It would take some training of the staff to meet this goal, but in the long run would produce a more accurate picture of your year end fund balance numbers.

Management Discussion and Analysis

Currently you are not including the management discussion and analysis in your audit report. Now would be a good time to start working on putting this together for next year. There are many examples you can follow on what to include. You could use your current financial statements and prepare one based on this year's audit. This would allow you to have one in place that could be updated with next year's financial statements and audit report.

**Oceana County**  
Comments and Recommendations (Continued)  
December 31, 2005

Fund Balance

A ten-year analysis of your fund balance for the General Fund shows the following:

<u>Year</u>	<u>Unreserved Fund Balance</u>
1996	\$ 28,654
1997	39,307
1998	174,276
1999	52,854
2000	58,312
2001	85,577
2002	129,515
2003	139,494
2004	127,198
2005	42,987

As can be seen from the above analysis your fund balance has been relatively low for the many years and currently at December 31, 2005, represents approximately .59% in relation to your general fund revenue. The fund balance will need to be monitored closely in the future to avoid a deficit situation.

Switching to the modified accrual basis of accounting may in fact give a different picture of your fund balance situation than the cash basis you are currently using.